



Written Comments for the Record: Hearing on Certain Expiring Tax Provisions

House Ways and Means Subcommittee on Select Revenue Measures

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The American Wind Energy Association (AWEA), on behalf of its over 2,400 member companies, urges the U.S. Congress to extend the wind energy production tax credit (PTC) as quickly as possible. AWEA represents 75,000 employees in the American wind industry: from project developers, to transportation and construction workers, to the manufacturers of each of the 8,000 component parts of a wind turbine. With the PTC being consistently available over the past five years, this industry has attracted average annual private investments in the US of over \$15 billion, and up to \$20 billion in a single year. Without the certainty of this business incentive beyond this year, however, half of these jobs and two-thirds of these investment dollars are at risk. Job losses have already begun, and will accelerate each month as the PTC nears the expiration deadline. The American wind industry needs policy certainty in order to continue to generate this level of economic growth. We urge the Ways and Means Committee to take up the PTC extension right away.

The PTC has been the most effective policy to attract private capital and deploy wind technology in the US. In the past five years, while the PTC has been continuously available, 35,640 megawatts (MW) – 76% of total US wind power – have been constructed. This growth has been complemented by technology advancements, with wind turbines now generating 30% more electricity per turbine today than five years ago, all while driving down costs. The PTC has fostered an American wind fleet that powers the equivalent of over 12 million homes and employs tens of thousands of people in good-paying jobs across the country.

Homegrown American wind power is also diversifying the American electricity portfolio and strengthening the American economy. Fostered by the PTC, wind power's costs have come down dramatically, making it an increasingly attractive source of affordable electric generation. Overall, wind energy has accounted for 35% of all new electric generating capacity in the last five years, just behind

natural gas. Wind power now provides nearly 3% of America's electricity overall, with thirteen states getting more than 5% of their electricity from wind, and five states getting more than 10%.

The federal PTC has also helped protect ratepayers from fuel price volatility. When utility Xcel Energy secured a wind power purchase in 2011, the Colorado Utilities Commission, in approving the contract, stated that "the contract will save ratepayers \$100 million on a net-present-value basis over its 25-year term under a base-case natural gas price scenario" while providing the opportunity to "lock in" a price for 25 years. A PTC extension would enable the industry to finish the job of bringing down wind power's costs, and secure long-term electric cost savings for consumers, like this recent contract has done for the people of Colorado.

In terms of driving further economic strength, PTC policy certainty has fostered an expansion of the US manufacturing sector. Seeing the value that the US government was placing on the wind industry, manufacturing companies set up shops in the US, or retooled their American facilities, to build turbine components. Domestic manufacturing has now grown from 25% to 60% of a turbine's value. Today, a workforce of 30,000 people manufactures wind turbine components at nearly 500 factories across 44 states. Producing components domestically reduces logistics costs, enabling reductions in turbine costs.

In addition to the PTC, 29 states have enacted renewable energy standards. In combination, these two policies have driven the industry's growth. For companies considering investments in the U.S., a federal PTC in addition to existing state standards is critical to providing them with the confidence to make these multi-million dollar capital investments.

The pending expiration of the PTC puts all of the progress that the U.S. wind industry has made at risk, and American jobs and manufacturing facilities in jeopardy. On an industry-wide scale, Navigant Consulting estimates that the US wind industry would lose 37,000 jobs and over \$10 billion of private

investment if the PTC is not extended.¹ Wind energy project development entails an 18-month process, as shown in Exhibit A. Policy certainty over the course of that time period allows projects to move forward efficiently. With the pending expiration of the PTC, an increasing number of jobs will be lost over the course of the year, as illustrated in Exhibit B.

The wind industry has already begun job layoffs. Due to policy uncertainty, developers are not planning projects beyond 2012 and have begun to lay off field staff. Now, during the second quarter, the manufacturing supply chain is beginning to suffer. Component manufacturers are beginning to complete their 2012 shipments to wind turbine manufacturers, and they have received virtually no orders for 2013 projects. Without new orders to fill, they will be forced to downsize their work force. This trend will spread to turbine manufacturers in the third quarter. As developers are under tremendous pressure to complete construction of their projects and connect them to the grid by December 31st, in order to be eligible to earn the PTC, turbine manufacturers must complete and ship their turbines in the third quarter. Again, if manufacturers have not received new orders by the time they complete this year's turbines, they will be forced to lay off employees. In the fourth quarter of this year, 95% of existing turbine orders will have been delivered, and manufacturing jobs will continue to drop off rapidly. Construction jobs will be maintained through the end of the year, in order to meet that December 31st deadline, but beginning in early 2013, these jobs too will be lost. Navigant's study estimates that this chain of job losses will total 37,000 by the year's end. Alternatively, an extension of the PTC would give developers the certainty to create new US projects, place turbine orders, and put manufacturers back to work.

The wind industry is on track to contribute 20% of America's electricity supply by 2030, and support a corresponding 500,000 American jobs, as the US Department of Energy found to be achievable under

¹ Navigant Consulting. *Impact of the Production Tax Credit on the US Wind Market*. December 2011.

former President George W. Bush's Administration.² The main hindrance to this level of growth, however, is inconsistent federal policy. The wind industry urges Congress to continue to drive energy diversity, economic growth, and domestic manufacturing by taking swift action to extend the PTC.

² US Department of Energy. *20% Wind Energy by 2030: Increasing Wind Energy's Contribution to U.S. Electricity Supply*. May 2008.

Exhibit A: Typical U.S. Wind Projects Require 18 Months of Policy Certainty



Exhibit B: Projected Job Losses in U.S. Wind Industry as PTC Expires

